

22 June 2023

## NCC Group plc

### FY23 unaudited post-close trading and strategy update, appointment of new Chief Financial Officer and notice of final results

NCC Group plc (LSE: NCC, "NCC Group" or "the Group"), a leading independent global cyber security and resilience provider, presents the following unaudited post-close Trading Update for the year ended 31 May 2023 in advance of publishing its audited preliminary results (FY23) on 14 September 2023. NCC Group also announces the appointment of Guy Ellis as Chief Financial Officer.

#### FY23 Trading Update (unaudited)

The Board expects:

- Group LFL Revenue <sup>1</sup> in line with prior year at constant currency (Reported: c.+5% growth), with:
  - Assurance (Cyber Security) revenues in line with prior year at constant currency (Reported: c.+5% growth)
    - H1 growth was c.+11% at constant currency (Reported: c.+18%). H2 decline of c.-10% at constant currency (Reported: c.-7%) driven predominantly by reduction in spend by North American technology clients and to a lesser extent by Global Professional Services in the UK, both as previously announced in March 2023
    - Global Professional Services H1 growth of c.+10% at constant currency (Reported: c.+19%), with full year decline of c. -3% at constant currency (Reported: c.+2% growth). H2 decline of c. -16% at constant currency (Reported: c. -13%)
    - Global Managed Services H1 growth of c.+11% at constant currency (Reported: c.+13%), with full year growth of c.+12% at constant currency (Reported: c.+15% growth). H2 growth of c. +14% at constant currency (Reported: c. +18%)
  - Software Resilience (Escrow) showed a LFL revenue decline<sup>2</sup> of c.-0.4% at constant currency (Reported: c.+6% growth), with:
    - H1 decline of -1.6% at constant currency (Reported: +6.8%) however H2 growth of c.0.6% at constant currency (Reported: c.+5%)
    - New leadership team (appointed in November 2022) starting to deliver momentum, consistency in quarterly growth, price rises and realisation of contribution previously estimated as part of the May 2022 operational review
- Unaudited Group Adjusted EBIT within the range announced in March 2023 (£28m to £32m), at c.£28.5m, driven by reduction in North America and UK Cyber Security revenue expectations previously announced in March 2023. Adjusted EBIT includes FY23 strategic costs of c.£2.5m with a proportion of the initially estimated £5m deferred into FY24
- Net debt (excluding IFRS 16) of c.£50m, with continued strong cash conversion and giving expected leverage (excluding IFRS 16) of 1.4x

#### Footnotes:

1: Group LFL revenue growth is after considering prior year Software Resilience fair value adjustment (£4.4m). Group revenue growth on a statutory basis equates to c.2% at constant currency (Reported: c.7%).

2: Software Resilience LFL revenue growth is after considering prior year Software Resilience fair value adjustment (£4.4m). Software Resilience revenue growth on a statutory basis equates to c.8% at constant currency (Reported: c.14%).

## Strategy and Management Team update

### *Executive Team*

To implement the new strategy, we continue to review the organisation and have made good progress in establishing a new Executive Committee with the following recent and planned appointments:

- Angela Brown, Chief Marketing Officer, was appointed in January 2023, with responsibility for global brand, PR and marketing and communications. Angela has more than 25 years of international experience in marketing, brand and communications.
- Kevin Brown, Chief Operating Officer, was appointed in June 2023 with responsibility for global delivery and service capabilities. Kevin spent 20 years in UK policing (specialising in intelligence and serious crime) before moving across to the private sector in 2012. He joined BT initially to transform its ability to manage risk progressing to leading and building BT's \$1 billion cyber security business.
- Siân John, Chief Technology Officer, will join us in July 2023 from Microsoft to drive innovation, insight and intelligence. Siân brings 25 years of cyber security experience across strategy, business risk, privacy, and technology and is currently Chair of techUK's Cyber Security Management committee and a council member for EPSRC, the funding body for Engineering and Physical Sciences Research in the UK.
- Finally, we are pleased to announce that Guy Ellis has been promoted to Chief Financial Officer replacing Tim Kowalski (See later in the release for full details of this Board change).

### *Cyber Security*

The market headwinds experienced in the Group's Cyber Security business reinforces the need to implement the NCC Group's Next Chapter Strategy (as announced in February 2023). Good progress has been made against the four pillars with some highlights of this progress including:

1. **Global Delivery Model – an efficient, agile and scalable delivery model** with new leadership, best in class skills, flexible resourcing and the creation of a new offshore delivery and operations centre. Preparations for the new Delivery Centre in Manila are ahead of schedule and this is due to open by the end of September 2023. Our experienced implementation team are developing relationships with top universities in the city to enable the recruitment of key skills and talent. This combined with experienced talent attraction in the region and our existing global internal delivery teams, we will use the best skills and talent to deliver our high-quality services (existing and new) to our clients.
2. **Clients – a renewed focus on priority sectors** most exposed to cyber risk generally. These are fast growing, highly complex and often highly regulated sectors. We have standardised and aligned sales around these priority sectors and are encouraged to see our sales pipelines increasing notably in the infrastructure and industrials sectors.
3. **Capabilities – the development of end-to-end cyber security services** consisting of a broader service portfolio to address the full cyber life cycle and ever evolving client needs. The leaders of our three key global cyber capabilities (Technical Assurance, Managed Services, Consulting and Implementation services) have been appointed, with Incident Response to follow. We have developed our Global Managed Service offering and are seeing increased sales orders, which will lead to annual recurring revenues when work is scheduled. Our ability to grow our Managed Services offering is based on strong relationships with key technology suppliers, and we therefore are continuing to grow and strengthen our key alliances ecosystem (e.g. Microsoft).
4. **Brand – create differentiated brands** for our Software Resilience and Cyber Security businesses and increase marketing focus on cyber industry events and activity to engage the C-suite. The re-brand of the Software Resilience business is nearing completion, and the Cyber Security business re-brand is underway.

The above actions have given rise to costs in FY23 of c.£2.5m. The underspend in FY23 compared to the original £5m estimated in February 2023 is due to timing differences arising from a rigorous focus on cost control and enacting an evolving programme. Planned expenditure to be incurred in FY24 amounts to c.£6m (including £1m deferred from FY23). Total spend on NCC Group's Next Chapter Strategy is therefore expected to amount to c.£8.5m over FY23 and FY24.

### **Software Resilience**

The leadership team remain focused on returning the business to sustained growth and continuing to generate strong cash conversion from our long client tenures and our diverse client portfolio. This growth momentum is evidenced quarterly within FY23 and the previously targeted additional contribution and price rises have also been realised and sustained in FY23.

The business has continued to invest to underpin this growth, including recruiting additional sales and service colleagues, establishing new markets and rationalising systems as well as its rebranding as mentioned above. The leadership team is actively implementing its comprehensive plan, which identifies several further opportunities to drive additional growth and contribution from FY25.

The Group has stopped the strategic review of Software Resilience and will revisit this later in the calendar year. This ensures a focus on navigating the market conditions for Cyber Security and implementing strategic actions, so the Group is well positioned to return to growth when the market improves.

### **Current Trading and Outlook**

The trading conditions in North America and the UK, mainly in the provision of Professional Services, which led to the 31 March Trading Update, have since stabilised. While a level of uncertainty remains, the Group has not lost any material clients and has been effectively diversifying its client base in the recent period.

In FY24, which will be a period of considerable change for the Group, the Board expects to make modest improvement in Group Adjusted EBIT driven by both the Cyber Security and Software Resilience businesses.

In Cyber Security:

- We expect low single digit revenue growth driven by stronger performance in high value Managed Services, including XDR sales orders and revenues, offsetting annualisation of the sales declines in the North American technology sector and the UK professional services sector experienced during H2 FY23.
- Costs from our ongoing strategy investment (noted above) and certain unavoidable inflationary pressures are expected to be outweighed by improvements in utilisation and efficiency savings. We have identified £10m of cost efficiencies across Cyber Security and corporate functions, of which we expect to realise approximately £5m in FY24 and achieve the full annual contribution from FY25 onwards.
- Our Manila delivery and operations centre will benefit Group gross margin in the second half of the year, with the full year effect expected to be neutral following the associated investment in the first half. It will then contribute to expanded gross margins on an ongoing basis from FY25.

We expect Software Resilience revenue growth in low single digits, underpinned by sustainable actions successfully taken on pricing and sales execution. The operating profit growth will be delivered net of in-year systems investments that will realise newly identified contribution efficiencies of c.£1m from FY25 onwards.

With a clear strategy, the actions completed to date and the ever-growing opportunities in the cyber market, we remain confident in the Group's ability to achieve double-digit revenue growth and mid-teens operating profit margins from FY26 onwards.

### **Board changes and appointment of a new Chief Financial Officer**

NCC Group is pleased to announce the appointment of Guy Ellis as Chief Financial Officer following Tim Kowalski's decision to step down after five years in the role.

Guy joined NCC Group in 2021, as Director of Commercial Finance as well as serving as Interim Managing Director of our Software Resilience business, and most recently as Interim Managing Director of our UK Cyber business. Guy has over 25 years' experience in Finance and Commercial roles in the retail sector for brands including Asda and Specsavers. This experience, and the recent interim roles in NCC Group have given him a breadth of understanding of the commercial drivers and operations across the whole business.

Tim will remain as CFO until 30 June 2023 and will support an orderly handover to Guy, who will join the Board on the 30 June 2023.

The Company confirms that there is no additional information which is required to be disclosed relating to Guy under paragraph 9.6.13 of the Listing Rules of the Financial Conduct Authority.

Mike Maddison, CEO, said:

"Since launching the next chapter of our strategy in February, the Group has taken a number of strategic steps as we create a more agile and resilient business, improve profitability and deliver shareholder value. I am grateful to all my NCC Group colleagues for their unwavering commitment and energy as we execute our plan to capitalise on the enduring opportunities in the dynamic Cyber market.

We have fortified our leadership team with high-calibre appointments in key areas, accelerated the diversification of our client base across our fastest growing sectors, secured our new global delivery centre in Manila, which will open ahead of schedule in September 2023, and we will soon complete the rebrand of our Software Resilience business, with work on the Cyber Security brand progressing well.

While the more challenging market conditions we announced in our March Trading Update have impacted the FY23 outturn, we are confident about the medium-term growth drivers for cyber and that progress on strategic actions will position the business to deliver greater growth and profitability in the current financial year and beyond.

On behalf of everyone at NCC Group, I would like to thank Tim for the enormous contribution he has made over the past five years, and we wish him every success in the future.

Meanwhile, I am delighted that someone with Guy's commercial perspective, transformation experience and track record in organisations operating in fast-paced industries, has agreed to step up from within NCC Group and we are proud of this internal promotion. We are all very much looking forward to collaborating with him in his new role."

### **Notice of Final results**

The Group expects to report its audited preliminary results for the year ended 31 May 2023, on 14 September 2023. Management will host a presentation and Q&A session, details of which will be circulated ahead of the event.

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**About NCC Group**

Purpose: Creating a more secure digital future.

Vision: To be a global leader in providing cyber security and escrow services recognised for client centricity and the technical depth and breadth of our capability. Famous for our people and a culture that reflects professionalism, teamwork, and respect with a relentless focus on quality and our contribution to the development of the industry and our impact on wider society.

NCC Group is trusted by over 14,000 clients worldwide to protect their most critical assets from the everchanging threat landscape. With the company's knowledge, experience, and global footprint, it is best placed to help organisations assess, develop, and manage their cyber resilience posture. To support its purpose, NCC Group continually invests in research and innovation, and is passionate about developing the next generation of cyber scientists. With c.2,300 colleagues in 12 countries, NCC Group has a significant market presence in North America, Europe and the UK, and a footprint in Asia Pacific with offices in Australia, Japan, and Singapore.